LCDC Futures Team Out Brief to LaRC Exchange Council

- Background
- Charter Overview
- Finding on Overarching Questions
- Options Studied
- Summary/ Team Recommendation

Langley Child Development Center – Background (1 of 2)

- Opened in 1984 to meet demand by NASA employees for quality/on-site childcare
- 6 weeks through Pre-K
- Summer program for ages 5-12
- Used as a recruiting/retention tool for center employees
- Teachers have B.S./A.A. degree or Child Development Certification (CDA)
- LaRC supports $132.9K in deferred maintenance and $79.1K in maintenance, utilities, ROI, $. 5K grounds, $3.0 transportation and $40K in Custodial, Total $255.5K
- Expansion occurred from 4 rooms to 3 full buildings in 2008
  - Consolidated to B1231C in September 2012

Langley Child Development Center – Background (2 of 2)

- Enrollment peaked at about 130 children in 2008
- LCDC has operated at net zero since 2001
- Attendance began falling in 2009 due to increased fees for military families, aging CS workforce, and fewer contract employees using the facility
- Recent losses of $69K in FY2013 has caused concerns
  - Primary causes are reduced enrollment, excessive scheduling of employees and a generous benefits package that aligns with civil service benefits
- Current enrollment is 70 children (March 2014)
  - 24 infants, 13 toddlers, 33 preschoolers
  - 3 families currently on waiting list

Futures Team Charter

LCDC Futures Team Charter: Examine current and future operational models for the LCDC and include the financial and facility impacts associated with each. Provide all the team's research/analysis as well as a recommendation to the LaRC Exchange Council.

Overarching Questions for LCDC Futures Team:

- Are we required to have a LCDC at LaRC? If so, what are the governing documents (NASA policy, Union Agreement, etc.).
- Benchmark with other NASA Centers. How are their Day Care Centers operated? Exchange, Contract, etc.
- What is the current LCDC customer base?
- What will the LCDC customer base look like in 3 – 10 years?
- What are the most significant challenges associated with operating the LCDC? Can they be overcome?
- What are the most significant benefits of having the LCDC?

LCDC Futures Options to Study: Unless we are legally required to have a LCDC onsite, there are 3 avenues we can pursue. Please have the team look at each. For each option, discuss pros/cons, Center impact, facility requirements, financial costs/savings.

- Continue operating the LaRC Child Care Center "as is." Attempt to increase enrollment through marketing, etc.
- Alter the LCDC business model to better align with current/expected customer base (e.g., increase infants, eliminate toddlers).
- Close the LCDC.

#1 Are we required to have a Child Care Center?

- Finding:
  - #1a Are we required to have a Child Care Center? NO, however…
    - LaRC's agreement with the union states that the Exchange will operate the LCDC; change requires negotiation.
  - #1b Are we permitted to operate a Child Care Center? Yes
    - Space Act authorizes NASA to provide "necessary facilities" for employee welfare
    - NPD 9050.6J authorizes activities that do not unduly compete with local merchants LCDC serves a "NASA" market not open to general public

Source: Ken Goetzke, OCC

#2 Benchmark other NASA Centers How are their Day Care Centers operated? Exchange, Contract, etc.

- Three Operational Models
  - Exchange Operated (KSC, LaRC)
  - Parent Organization Operated (ARC, GRC, GSFC, JSC, MSFC)
  - DOD Facilities Used (AFRC/SSC)
- Exchange operated benefits packages are similar to CS and more generous than parent operated
- Operational Costs
  - Salaries consistent
  - All NASA Centers provide support for:
    - Maintenance/repairs, utilities, grounds, custodial (with exception of MSFC who pays for custodial from parent tuition fees)

#3 What is the current LCDC customer base? (1 of 3)

- 1903 CS as of Dec 2013
- 291 (15%) CS under the age of 39
- 830 (44%) CS are under the ages 40- 50
- 1076 (56%) are over the age of 50
- 1600 Contractors (demographics unavailable)

*Source: OHCM

#3 What is the current LCDC customer base? (2 of 3)

70 Children in LCDC as of March 2014:

- Civil Servants: 34 Families with 43 children (17 infants, 8 toddlers, 18 preschool)
- Contractors: 20 Families with 25 children

  (7 infants, 5 toddlers, 13 preschoolers, total
- Military: 2 Families with 2 preschoolers
- Waiting list: 3 total infants 2 NASA and 1 NASA Contractor

Team Finding: Currently meeting the center demand

#3 What is the current LCDC customer base? Cont. (3 of 3)

- CS Survey Results from Feb 2014
  - 66% responded that childcare service is an extremely beneficial service
  - 13-14% of the respondents indicated they are using childcare for ages 1-4
  - 51% of respondents using childcare use the LCDC
  - 29% are using commercial daycare
  - 11% are using home care
  - 24% anticipate that they will need care in the next 3 years
  - Top reasons for choosing non-LCDC care are Cost, Location, Certified Teachers, Curriculum, Quality of Facility

Team Finding: Demand will increase in next 3 years

Survey Source: Donna Speller Turner

#4 What will the LCDC customer base look like in 3 – 10 years?

- Civil Servant ceiling to hold at 1850
- Estimate 75 new hires per year
- Center targeting new hires at GS-12 and below
- 69% of current new hires are under the age of 39
- Employees under 39 years of age projected to increase from 15% to 35% (291 to 392) in next 5 years based on current hiring rate and age demographic

Team Finding: Need for LaRC childcare may double in 5 years

*Source: OHCM

#5 What are the most significant challenges associated with operating the LCDC? Can they be overcome?

- **Decline in enrollment:**

  Finding: (Yes) Early career hiring will increase and project a continued CS desire for onsite child care

- **Unbalanced operational mix (31% infant, 18% toddlers, 51% Pre K):**
  Finding: (Yes) Restructure classrooms based on break even; however, changing this model may not align with demand

- **Rising food cost/ cost of preparation**

  Findings: (Yes) Cafeteria to provide more cost effective food service from IESB

- **Health insurance cost:**
  - **Finding (Yes) ACA provides employees with more cost effective coverage**

- **Negative financial impact of sick/annual leave on scheduling (all earn minimum 26 days or more per year in addition to holidays)**
  - **Finding:(Yes) Implement industry standard of 10 personal days off, plus unique benefit of 10 federal holidays**

What are the most significant challenges associated with operating the LCDC? Can they be overcome? (2 of 2)

- **Operating hours with little demand.**
  - **Finding: (Yes) Open 30 minutes later and close 30 minutes earlier.**
- **Increased number of Child Care Centers in the area (Air Force, Peninsula Academy, etc.)**
  - **Finding: (No) Increased care will continue with public schools Federal funding for targeted preschool 4 year olds.**
- **Lower school age Summer camp numbers; more camp options for older children:**
  - **Finding: (Partially) Summer camp no longer available for older children after losing 2 facilities. Convert preschool room during summer months for ages 7 and under?**

#6 What are the most significant benefits of the LCDC?

Results of PTO Survey showing parents prioritization of program attributes

Questions	Priority #
Safety and security of facility	1
Teacher education/certification	2
Cost of tuition	3
Communication with director and teachers	4
Convenience/proximity to NASA	5
Appearance and cleanliness of the classroom	6
Overall curriculum	7
Accreditation of Center	8
Operating hours during work week	9
Sense of community at center	10

* Used as a recruitment retention tool while supporting NASA care values

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Option 1: Continue Operating "As Is"

- Operating 1231 complex – 5 rooms, kitchen, training, teacher lounge, and summer camp
- Pros:
  - Meeting current demand for infants, toddlers and preschoolers care
  - Plenty of space for current demand
  - All teachers are CDA certified or have Associates or Bachelors Degrees.
  - Summer camp currently increases net income by $13K.
  - ACA savings for group health care $53K
  - More flexible scheduling implemented
    - Full Time teachers 32-35 hours/ week
    - Part Time 20-25 hours/ week

Option 1: Continue Operating "As Is" (2 of 2)

- Cons:
  - Below capacity for some ages (toddlers/preschoolers 89%)
  - Capacity of larger classrooms not being fully used
  - CDC will continue to lose money under current operational model and benefits package
- No cost savings. CMO would have to continue support of Building 1231, 1231B, and 1231C to the tune of $255.5K.
- Exchange will have to subsidize, using funds from other exchange services (Cafeteria, Catering, etc.)

Team Finding: Not a viable option, buildings will be demolished

Option 2: Contract Child Care

- Pros
  - Exchange would not have to subsidize
  - Performance standards can be written into contract
  - Would still be a recruitment incentive
- Cons
  - Tuition cost to parents would have to increase to support required taxes, utilities, maintenance, and corporate profit
  - LaRC losses day-to-day control of operation
  - Cost prohibitive to the parents, due to small number of children in market and must absorb taxes passed on by business
  - Facility would not be open to outside market to help augment operational expenses

Team Finding: Not a viable option based on operational constraints

Possibility 3: Close LCDC

- Pros:
  - LaRC saves approximately $255.5K for B1231 Complex for deferred maintenance, utilities, transportation grounds and custodial
  - Exchange bottom line improves if unprofitable line of business is eliminated
  - Childcare referrals would help support the local community childcare
- Cons:
  - Assuming that LaRC continues GS 12 and below hiring trend, employee demand for daycare will likely increase. We would not be able to meet this demand
  - Recruitment/Retention advantage lost
  - Negative employee surveys and complaints of LaRC not supporting valued program
  - Must negotiate with Union due to agreement

Team Finding: Not a desired option based on feedback

Option 4 - New Operational Business Model (1 of 4)

- Operate 5 rooms in B1231c based on market demand as related to sound business practice.
- Cafeteria provides meals at 10% over food cost ($18K savings in labor)
- Operate from 6:45 am – 5:45 pm ($7.5K savings)
- Hold Director accountable to flexible scheduling of staff full time 32-40 hours, part time 20-25 hours ($15K savings)
- Align benefits to industry standard of 10 personal days with pay out at end of calendar year for new employees:
  - Savings = $1,344 per new employee
  - Employee annual and sick balances placed in a bank for future use/pay-out

- Total annual savings: $131.7K

*All savings are annual

Option 4 - New Operational Business Model (2 of 4)

- Exchange Facility Cost
  - Exchange assumes building cleaning by hiring custodians at $24K
  - Exchange pays grounds maintenance $ .5

- Implement performance indicators based on cost model:
  - Labor cost not to exceed 75% of revenue
  - Operating expenses not to exceed 25% of revenue

Option 4 - New Operational Business Model (3 of 4)

- CMO Facility/Support Needs for B1231c : $43.8K
  - Maintenance cost $25.5K
  - ROI: $ .2K
  - Utility cost $6.9K
  - Transportation cost approximately $3.0K
  - Deferred maintenance $8.2K
- LaRC CMO total cost savings and avoidance: $211.7K
  - Building custodial cost - $40k *
  - Maintenance savings for 2 demo bldgs. is $34.4
  - ROI: 5.6
  - Utility savings is $6.5K
  - Ground maintenance $.5K
  - Deferred maintenance cost avoidance $124.7K

Option 4 - New Operational Business Model (4 of 4)

- Pros
  - Provides ability to operate self sufficiently with changing market demand
  - Redistributes age groups to provide a balanced operational model
  - Brings LCDC self-sufficiency- No Exchange subsidy needed
  - Emphasizes quality of Preschool Program and meeting future projected demand for care
  - Reduces CMO deferred maintenance, utilities, and cleaning cost from $255.5K to $43.8K
  - Keeps costs affordable for parents while staying at 90% of outside market costs
- Cons
  - Reduces size/scope of summer camp program
  - 4-5 CS family work schedules conflict with operating hour reduction
  - Adverse impact on Exchange Employee Morale because of leave changes
  - Eliminates future expansion capabilities
  - Passes custodial care and facility cost onto Exchange

Summary

- Team recommends Option 4
- Robust annual/sick leave is a systemic problem in obtaining Exchange self-sufficiency
- Provides cost saving to LaRC
- Reduces risk of Exchange losses
- Flexible Operational Model supports employee demand
- Enhances positive morale of LaRC employees
- Supports recruitment and retention

Options for Council Consideration

- Levers-
  - Business base wages – Average $10.61 to $10.00 savings $21 – 24K
  - Grand father all current full and part time employee to earn at current rate for annual and sick leave. For future full time employees change earn rate for annual/sick leave to 10 Paid Time Off (PTO) days and for part time 5 PTO days for part time.
    - $84 per day for 16 days saves $1,344 per new employee annually. Saves Exchange approximately $8K to 13K annually. (Note annual savings will increase with attrition, negotiable for manage positions).
    - Change earn rate for all current and future regular flexible (on calls) 5 scheduled pay days off per year. Flexible on call do not earn holiday pay. Cost 10 employees @ 5 days x average salary 8.50 times average of 4 hours per day off equals $2000 annually.
    - Must complete probation period prior to earning PTO.
  - Eliminate CDA requirement for infant assistants along with career progress with top assistant salary at $10 per hour save approximately $6-8K annually.
  - Rates -
    - Eliminate Sibling rate – saves approximately - $2.7K
    - Implement Annual Program Supply Fee – Increase income 54 x $120 = $4 – 6K
    - Early withdrawal/re-registration deposit fee – Extra fee equal to one month $6.3K – $12.6K
    - Charge contract personnel higher fee equal to average outside rates - $25K - $30K
    - Implement Exchange Partner usage fee for Contract Organizations - $25K - $40K
  - Change operational Mix Fewer infants reduces loss per infant by $1.6K to 2.0K per month.
  - Hours of operation – Saves $7.5K for ½ hour - $15K for 1 hour
  - Center subsidies for Ops/Maintenance/Utilities – CLC decision saves $40K-$50K
  - Exchange play for Custodial Service – Cost $24-30K
  - Food
    - Cafeteria provides UDSA - $18K savings. Kitchen employees transfer to cafeteria.
    - Parents provide drop USDA – $49- $55K savings
  - Referral program to Area Day Care Centers if decision is to close.

Averaged Daycare Cost

- Averaged Infant Care Cost = $847.00
- Averaged Toddler Care Cost = $783.00
- Averaged Preschool Care Cost = $686.00

$760.00 is 89.7% of the averaged offsite cost for infant care - range $780-$1000
$660.00 is 86% of the averaged offsite cost for toddler care - $680 - $920
$600.00 is 87.5% of the averaged offsite cost for preschool care $580 - $803

Contractors using center average savings versus using outside: $28,549
Infant 7 savings is $87 monthly or total $7309 yearly.
Toddler 6 savings is $123 monthly or Total $8,856 yearly
Preschool 12 savings is $86 month or total $12384 yearly

Back up information